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Yamashina

China's foremost Need

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CHINA'S FOREMOST NEED


by

MR. R. YAMASHINA

Commercial Commissioner to the United States
from the Tokio Chamber of Commerce

Also suggestions by Mr. Lindsay Russell
and Mr. Richard Washburn Child
designed to help China

Addresses at a luncheon given to Mr. Yamashina
at the Lawyers' Club, New York City, by the
Executive Committee of the Japan Society



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"The reconstruction of China's monetary system should be the first step in any program to help that republic," said Mr. R. Yamashina, head of the Commercial Commission sent to the United States by the Tokio Chamber of Commerce, at a luncheon given him by the Executive Committee of the Japan Society at the Lawyers' Club, New York City, on December 19, 1918.

Mr. Yamashina said not only was this his belief, but that he had been commissioned by sixty chambers of commerce of Japan to carry this message to the chambers of commerce and the business men of America.

"China now has the silver standard, and the value of silver coins, as of the metal itself, fluctuates from day to day," Mr. Yamashina asserted. "This makes it difficult for foreign firms to operate in China, as it makes their earnings of speculative uncertainty. It also keeps foreign capital shy, as investors abroad hesitate to risk their money in China while the shift silver standard is in effect.

"The gold standard is of vital necessity for China. Now, while silver commands such a soaringly high price, is the time to press the campaign for monetary reform. The iron is hot, and we should strike at once.

"Now how should we go about it to help China make this reform? That is a problem we ought to tackle strenuously and intelligently. China is divided into many provinces and each province has its own currency system. The money of these provinces is inconvertible paper money and, because it is inconvertible, it represents mere scraps of paper outside of China.

"This paper money should be purchased by the Central Chinese Government. Or we may begin the work of reform with any province which is willing to effect this reform. Whether we shall begin in a general way, through the central Government, or with the separate provinces, is a decision to be reached after the preliminary work is under way.

"It goes without saying that the Chinese government would require large capital to accomplish this reform, and because it lacks the necessary capital it is up to the United States and Japan to make a loan to permit its success. How much money would be required is a question over which experts differ, because of the incompleteness of Chinese statistics on which to base estimates, but in round figures the preliminary guess may be placed from about \$250,000,000 to \$300,000,000.

"In initiating such a movement, it is very necessary for us to bear in mind that China is an old nation, and that an old nation like an old man values its dignity. Therefore, it is necessary that we should not force China, but should resort to such means as would make it appear that China herself is taking the initiative in this movement. In fact, the Chinese chambers of commerce, as a body, have passed resolutions favoring the adoption of the gold standard for China. Should such a reform be initiated by other peoples, China may feel that she is forced to do so more for the benefit of others than for herself. This is a very important point for proponents of the reform to heed, as it is the Chinese who will receive the greatest benefit from a smoothly working currency system.

"The business men of China are eager to see this reform accomplished as soon as possible, and it will be a comparatively easy task for the combined capital of the United States and Japan to finance this reform and thus uplift the morale of the Chinese people. When the currency system is able to get along without crutches, the entire Chinese nation will be benefited in a commercial way and, furthermore, may be led to forget the differences which create the bitter factions of China. This would tend to strengthen the present administration, which assumed office on October 10, this Fall. This administration is the best and strongest government China has had since it became a republic. For one thing, it is more conciliatory toward both the Northern and Southern factions.

"We ought to work for the benefit primarily of China, not of ourselves. All the world will receive the secondary benefit, but we must consider China's interests first.

"With the gold standard in practice, more capital would flow into China to develop her resources and to give new facilities in transportation, which are badly needed. China is a vast country with a painfully cramped transportation system. The reform would help the domestic trade of China, as at present trading between provinces is difficult because of the monetary handicap. But most of all, the reform would prove a great boon to foreign trade. America would benefit greatly in commerce with China if the gold standard were adopted by the Peking Government."

TRUSTEESHIP FOR CHINA

Lindsay Russell, president of the Japan Society, said:

There has been some fear expressed in the Japanese press and by Japanese commercial organizations that America will become a more serious competitor for Japan's trade with China and Siberia. It is true that the Webb Bill permits combinations in the United States for the promotion of foreign trade. This, of course, means co-operation between American firms.

It makes possible collective bargaining between groups of manufacturers on this side and the measure prevents ruinous competition in spheres of influence. It means also a central organization through which America and Japan can discuss mutual interests and I apprehend that when intelligent American business men realize the advantages which the Japanese have as respects that market, advantages which we cannot overcome, that the inclination to co-operate, to do business through them, will be all the stronger.

First of all Japan has the stimulus of necessity, which is the greatest of all incentives to human activity. Then there are proximity to market, port facilities and spheres of influence; the advantage of superior shipping and banking facilities, more intimate knowledge of the language, customs and currency of the countries.

In addition to this you have solved the problem of supplying the Chinese with purchasing power. The creation by Japan of the great bean industry in Manchuria affords

one of the most remarkable examples of what can be done to bring prosperity to a hitherto backward people.

What are we to do about it? What is the remedy? Co-operation is the solution. Already several of our great American corporations have established branches in Japan on a fifty-fifty basis or thereabouts. The branches of some great American banks operating in Japan have more Japanese employees than Americans.

The exports from the United States to China total about twenty-five millions a year and if one were to analyze these one would find that American firms, failing to take advantage of their opportunity, Japanese firms have opened offices in various cities of the United States and are exporting more general merchandise to the Far East than American firms.

As to conditions in China, what was true of China ten years ago is true to-day. China is politically bankrupt in that she has failed in self-government; morally bankrupt in that graft and corruption permeate every governmental and corporate enterprise; financially bankrupt in that her revenue is practically in the hands of receivers. What is needed are stern and efficient measures such as England applied to Egypt, the United States applied to Cuba, and Japan applied to Korea. If American sentiment could have re-organized China, it, no doubt, would have given it one of the best governments in the world. Japan will not exploit China. Under proper guidance China will become an international asset instead of a liability.

The next question is what nation or nations shall apply these measures? Many will answer: the League of Nations. For my part I am skeptical about the proposed League of Nations, for while it is effective in time of war, yet in time of peace the force which binds them in war—self-interest and self preservation—is centrifugal. If one wishes to study the working of a League of Nations in time of peace, consider that which was formed in Pekin in 1900 as a matter of protection from the Boxers. Ask the Chinese how international interests sometimes clash with human brotherhood.

A League having as its dominant partners Great Britain, the United States and Japan would be effective. These countries might preserve the peace of the world by

acting as regional directors—Great Britain for Europe, the United States for this hemisphere and Japan for Asia; any one failing to preserve order to call upon the others. Under this arrangement Japan, with the co-operation of Great Britain and the United States, could constitute a trusteeship for the reorganization of China.

The war has taught us the value, even the necessity, of co-operation in attaining a common end. Surely the development of the vast resources of China and Siberia and the establishment of orderly government will be of benefit not only to those countries but to the rest of the world. Let us then, I submit, co-operate with Japan in that development.

JOINT COMMISSION FOR CHINA

Richard Washburn Child, who presided, said:

The bad friend of the Chinese is he who administers the anesthetic of false hope and helps a bad condition under a monarchy to go to worse condition under a Republic, first corrupt and now disintegrating. Foreign observers who see only Hong Kong, Shanghai, the Yangste River, Hankow, Peking and Tientsin do not know China. They see foreign concessions and come in contact with a painted diplomatic mask of scholarly urbanity behind which the Chinese politician hides while playing one foreign interest against another on the one hand and exploiting the unfortunate millions of Chinese on the other. The material resources of China will not be developed nor the human resources developed, no matter how much money is loaned to China unless there follows actual administrative help from without. In other words China will not be helped by the outside world unless help is given in the expenditure of money as well as in the raising of money. This means that China, which is now in more helpless plight than ever—her territory and peoples split into factions, with the buying and selling of mercenary soldiery almost the sole basis of political power—not only needs the banker but the administrator as well.

There are bad friends of the Chinese who have a sentimental regard for the principle of self-determination. They

overlook the fact that no interference ever undertaken by foreigners in China has been anything but a blessing to the Chinese and no inroad made by foreigners, except the inroad of the opium traffic, has ever been anything but salvation of the Chinese in the sanctuary of the foreign concession from the petty "squeeze" of an exploiting ruling minority. It is almost impossible to conceive of anything one can do to the Chinese millions which will not help them to escape from the world they know—a world of utter poverty, degenerate practices, infanticide, ceaseless labor, no schools, no justice, no communications, no sense of co-operative endeavor.

These bad friends of the Chinese say truthfully that China long long ago had a glorious past, productive of philosophy and arts. They say truthfully that great resources, material and human, are in China but they encourage us to listen to the eternal wail of the Chinese politician "Let us alone." To "let China alone" will be to allow a large fraction of the world's population and territory to go into the biggest running sore on the face of the globe.

When I came back from China I submitted to those who handle the foreign affairs of this administration a brief of a proposal that the United States should take the lead in offering China the administration of a joint commission, upon which should be two Chinese and administrators from the United States, Great Britain and France with a Japanese statesman as Chairman, because China and her weakness is a graver matter to Japan than to any other nation. I have continued to advocate this method of dealing with China's reconstruction because there is nothing hopeful in China reconstructing herself. Conditions are worse constantly—nor will bankers' control alone reach far enough. It is not sufficient to attend to China's income—taxation system, finance, loans: it will be necessary to attend helpfully to China's outgo—her development of justice, schools, safety of life and property, defence, communications and to develop under all these a spirit of co-operative endeavor so that the Chinese themselves would learn the gentle art of working together and of making ready to stand on their own feet in administration.

